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Department of State TELEGRAM

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PAGE 01 TRIPOL 00981 121824Z

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ACTION AF-05

INFO OCT-01 SS-20 NSC-10 NSCE-00 INR-06 CIAE-00 NSAE-00

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O R 121528Z MAY 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC IMMEDIATE 6257
INFO AMEMBASSY BENGHAZI

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY cj DATE 6/18/81
PORTIONS DENIED AS INDICATED

C O N F I D E N T I A L TRIPOLI 0981

LIMDIS

SUBJECT: POSTED PRICE NEGOTIATIONS

REF: TRIPOLI 970, STATE 71215

1. AS OF NOW, LARG APPEARS DETERMINED TO PRESS ITS DEMAND FOR 44 CENT INCREASE IN BASIC POSTING WITH CONTINUED ESCALATION OF PRESSURES TARGETED AGAINST OCCIDENTAL AND ESSO. IN ASSESSING CURRENT NEGOTIATIONS, EMBASSY THINKS DIFFERENCES IN PRICE COMMITTEE'S TREATMENT OF ESSO AND OCCIDENTAL ARE SIGNIFICANT AND PROVIDE CLUES TO FUTURE COURSE OF NEGOTIATIONS. COMMITTEE BROKE OFF TALKS WITH OXY AT THIRD SESSION ON MAY 10 WITH THREAT OF UNILATERAL ACTION, WHILE IT IS MEETING TODAY (MAY 12) FOR FOURTH SESSION WITH ESSO AND HAS NOT YET MADE SPECIFIC THREAT. WHILE BOTH COMPANIES CONFRONTED WITH SAME DEMANDS, COMMITTEE HAS BEEN MORE WILLING TO DISCUSS DETAILS OF ITS POSITION WITH ESSO. COMMITTEE HAS ATTACKED GREEDY NATURE OF "IMPERIALIST" COMPANIES IN MEETINGS WITH OXY AND HAS PARIED OXY'S REFERENCES TO TERMS OF PETROLEUM LAW WITH DISPARAGING REFERENCES TO ALLEGED UNSCRUPULOUS AND CORRUPT TACTICS USED BY OXY IN DEALINGS WITH OLD REGIME FIGURES, CONTENDING COMPANY WITH TAINTED HISTORY CANNOT NOW TAKE REFUGE IN LAW. ESSO SESSIONS HAVE BEEN RELATIVELY FREE OF INVECTIVE.

2. DIRECT ACTION AGAINST OXY, WHICH COMPANY CONSIDERS AS PRESSURE RELATED TO PRICE ISSUE, WAS TAKEN BEFORE NEGOTIATIONS REOPENED BY MAGHRABI COMMITTEE. SEVERAL DAYS PRIOR TO FIRST MEETING, PRICE COMMITTEE MEMBER AND MINISTRY PETROLEUM DIRGEN TECHNICAL AFFAIRS,

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PAGE 02 TRIPOL 00981 121824Z

BIN UMRAN, ORDERED PRODUCTION CUTBACK OF ABOUT 100,000 B/D FOR OXY'S A FIELD IN CONCESSION 103. BIN UMRAN JUSTIFIED CUTBACK AS REDUCTION OF EXCESSIVE PRODUCTION TO RATE CONSISTENT WITH MAXIMUM ECONOMIC RECOVERY OF RESERVES. OXY APPEALED ORDER TO MINISTER, WHO APPEARED SYMPATHETIC AND PROMISED ORDER, WHICH HE HAD SIGNED, WOULD BE RESCINDED. BUT ORDER HAS BEEN RECONFIRMED AND REMAINS IN EFFECT. TODAY, MINISTRY TECHNICAL DEPARTMENT REPS OBTAINED DETAILED PRODUCTION AND RESERVOIR INFORMATION FROM OXY ON ITS OTHER FIELDS, AND COMPANY FEARS ADDITIONAL CUTBACKS WILL BE ORDERED.

3. WE BELIEVE OXY SINGLED OUT FOR ROUGH TREATMENT AS EXAMPLE TO REST OF INDUSTRY BECAUSE LARG IS CONVINCED OXY HAS SHADY PAST IN LIBYA AND BECAUSE OXY'S DEPENDENCE ON LIBYAN OIL MAKES IT VULNERABLE [redacted] (B)

4. MOST OPTIMISTIC VIEW OF COMPANY MANAGERS WITH WHOM WE HAVE TALKED IS THAT SERIOUS NEGOTIATION WITH MAGHRABI COMMITTEE WILL NOT REPEAT NOT BEGIN UNTIL LARG HAS TAKEN SOME UNILATERAL ACTION, SUCH AS LARGE-SCALE RESTRICTION OF PRODUCTION, AND FOUND SUCH A STEP TO BE INEFFECTIVE. MOST PESSIMISTIC VIEW IS THAT LARG PREPARING RATIONALE FOR SERIES OF CONCESSION REVOCATIONS, BEGINNING WITH OXY AND MOVING TO INACTIVE CONCESSIONS (FOR WHICH DRILLING ACTIVITY ORDERED TO BEGIN WITHIN THIRTY DAYS). EMBASSY NOTES THAT IN ADDITION TO ESSO AND LIBYAN AMERICAN CONCESSIONS AFFECTED BY DRILLING ORDERS (TRIPOLI 9144), SIX OTHER COMPANIES HAVE RECEIVED SIMILAR ORDER PAST WEEK, LIBYAN AMERICAN, FIRST TO RECEIVE ORDER, NOW HAS WRITTEN WARNING THREATENING UNSPECIFIED UNILATERAL ACTION UNLESS DRILLING BEGINS IMMEDIATELY.

5. AMBASSADOR PALMER RETURNING TRIPOLI TONIGHT IN VIEW SERIOUSNESS THIS SITUATION. WE WILL DISCUSS TACTICS WITH HIM, INCLUDING SUGGESTION PARA 3 REFTEL. GP-4.
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